

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (5/19)
BUTTER: Grade AA closed at \$1.1775. The weekly average for Grade AA is \$1.1750 (-.0005).

CHEESE: Barrels closed at \$1.1900 and blocks at \$1.2000. The weekly average for barrels is \$1.1860 (+.0365) and blocks, \$1.1910 (+.0280).

BUTTER: The CME cash butter price has traded within a narrow range of the weekly close of \$1.1775. Butter producers and handlers have mixed opinions on where butter prices will be during the next six weeks or so. Some feel that the price will edge lower as milk and cream offerings will be heavy, while others acknowledge the abundance of milk and cream but feel that prices will remain near current levels. Production levels remain heavy, paralleling cream supplies. In many instances, producers are producing more bulk for future use versus prints for immediate needs. CME weekly butter stocks grew by 4.5 million pounds last week to stand at 143.8 million pounds, compared to 97.4 million pounds last year and 93.5 million pounds in 2004. Retail and food service sales are generally steady. Some improvement in food service orders is noted for establishments in resort and vacation areas, preparing for the upcoming Memorial Day holiday weekend and the summer vacation season.

CHEESE: The cheese market is firm, though some traders question recent strength occurring so near the annual peak cheese production period. Promotional activity, including process and natural chunks, is clearing additional cheese volumes. Recent price increases have stimulated some buyers to make purchases before the increases are passed along. Process orders are generally good though barrel supplies remain tight. Mozzarella production is catching up with demand after recent pizza promotions absorbed substantial quantities. Very heavy rainfall in the Northeast generally affected purchasing and distribution patterns more so than production. Cheese production is seasonally active with most plants operating on well above year ago levels due to larger milk volumes. Cheese yields are trending lower in most areas.

FLUID MILK: Milk production is somewhat lower in New England, Florida and California. Elsewhere, milk production is trending higher. Milk supplies are seasonally abundant as schools recess for the summer. Class I interest in fluid milk is reduced, encouraging more milk into manufacturing. Milk supplies are reportedly burdensome in the Midwest with offerings noted at sharp discounts. As the Memorial holiday nears, sharper discounts are anticipated on spot load offerings of fluid milk. Manufacturing plants are operating at or near capacity. Cream markets are trending fairly steady. Fluid cream demand from ice cream plants is improved but not significant enough to affect supplies or price.

DRY PRODUCTS: Prices are trending steady to weak for most dry dairy products. Production of NDM may be nearing seasonal peaks in some sections of the country. Sales of NDM to the CCC persist, encouraging lower NDM market prices. Some increased interest in condensed buttermilk is easing production of dry buttermilk. Stocks of dry buttermilk remain heavy at some locations for the lackluster demand. Whey markets are beginning to settle in response to improved demand from domestic and foreign markets. Production of whey and WPC remains fairly strong, encouraging some discounting. Demand for WPC is fair and best into export markets. Lactose is firm. Buyer anxiety regarding future supply availability is encouraging spot trade at significantly higher prices.

CCC: During the week of May 15 - 19, the CCC purchased 5,472,183 net pounds of NDM from the West.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for June 2006 is \$10.75, down \$0.22 from last month and \$2.87 from last year. This price is derived from the advanced Class III skim milk pricing factor of \$6.57 and the advanced butterfat pricing factor of \$1.2610 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for June is \$6.86 and the Class II nonfat solids price is \$0.7622 per pound. The following are the two-week product price averages: butter \$1.1658, nonfat dry milk \$0.8309, cheese \$1.1602, and dry whey \$0.2811.

USDA ISSUES RECOMMENDED DECISION ON AMENDMENTS TO ALL MILK ORDERS: On May 16, 2006, the USDA issued a recommended decision to amend the Class I fluid milk product definition for all federal milk marketing orders. The decision was based on the record of a hearing held June 20-23, 2005, in Pittsburgh, Pa. Specifically, the decision recommends maintaining the current 6.5% nonfat milk solids criteria and incorporating an equivalent 2.25% true protein criteria in determining if a product meets the fluid milk product definition. It also proposes to clarify how milk and milk-derived ingredients should be priced under all orders. USDA is also proposing that, regardless of packaging, "drinkable" yogurt products containing at least 20% yogurt, kefir and products designed to be meal replacements be exempted from the fluid milk product definition. The recommended decision will be published in the May 17 Federal Register. Public comments are due July 17, 2006, and should be sent to the Hearing Clerk, Stop 9200, Room 1031, U.S. Department of Agriculture, 1400 Independence Ave., S.W., Washington, D.C. 20250-9200. Comments may also be submitted at the Federal E-Rulemaking portal: <http://www.regulations.gov> or through e-mail to: amsdairycomments@usda.gov

MAY MILK SUPPLY AND DEMAND ESTIMATES (WAOB): This report presents USDA's first calendar-year 2007 projections of U.S. dairy products. Projections reflect economic analysis, normal weather, trends, and judgment. Milk production is forecast to increase gradually in 2007 as weaker milk prices and higher feed costs lead to a reduction in dairy cow inventory. Milk per cow is expected to continue increasing but at a slower rate than in 2006. Domestic disappearance of fat and skim solids is expected to remain relatively robust, helping draw down commercial stocks and boosting butter and cheese prices. Although it is expected that commercial exports will help absorb much of the expected supplies of NDM, 2007 prices are likely to be slightly weaker than in 2006 with increased sales to the CCC. Class III prices are forecast about \$1.00 higher than 2006, but Class IV prices may only average about 25 cents higher. The all milk price is forecast at \$12.85-\$13.85 in 2007. Forecast milk production in 2006 is lowered as projected growth in milk per cow is slightly slower than last month. With lower forecast cheese and whey prices, the Class III price forecast is reduced. Likewise, lower forecast butter and NDM prices result in a lower Class IV price. The all milk price forecast for 2006 is lowered to \$12.35-\$12.85.

APRIL MILK PRODUCTION (NASS): Milk production in the 23 major States during April totaled 14.2 billion pounds, up 3.7% from April 2005. March revised production, at 14.6 billion pounds, was up 5.6% from March 2005. The March revision represented an increase of 25 million pounds or 0.2% from last month's preliminary production estimate. Production per cow averaged 1,727 pounds for April, 37 pounds (2.2%) above April 2005. The number of cows on farms was 8.24 million head, 124,000 head more than April 2005, and 13,000 (1.5%) head more than March 2006.

****SPECIALS THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

PRODUCT	MONDAY MAY 15	TUESDAY MAY 16	WEDNESDAY MAY 17	THURSDAY MAY 18	FRIDAY MAY 19	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.1800 (N.C.)	\$1.1800 (N.C.)	\$1.1900 (+.0100)	\$1.1900 (N.C.)	\$1.1900 (N.C.)	(+.0100)	\$1.1860 (+.0365)
40# BLOCKS	\$1.1700 (N.C.)	\$1.1850 (+.0150)	\$1.2000 (+.0150)	\$1.2000 (N.C.)	\$1.2000 (N.C.)	(+.0300)	\$1.1910 (+.0280)
BUTTER GRADE AA	\$1.1700 (-.0075)	\$1.1750 (+.0050)	\$1.1750 (N.C.)	\$1.1775 (+.0025)	\$1.1775 (N.C.)	(N.C.)	\$1.1750 (-.0005)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2.

CHICAGO MERCANTILE EXCHANGE

MONDAY, MAY 15, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 3 CARS GRADE AA @ \$1.1700; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.1650, 1 @ \$1.1600; OFFERS UNCOVERED: NONE

TUESDAY, MAY 16, 2006

CHEESE — SALES: 4 CARS 40# BLOCKS: 1 @ \$1.1775, 1 @ \$1.1800, 2 @ \$1.1850; BIDS UNFILLED: 1 CAR BARRELS @ \$1.1800; OFFERS UNCOVERED: NONE

BUTTER — SALES: NONE; BIDS UNFILLED: 4 CARS GRADE AA: 1 @ \$1.1750, 2 @ \$1.1700, 1 @ \$1.1650; OFFERS UNCOVERED: NONE

WEDNESDAY, MAY 17, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.1900; 2 CARS 40# BLOCKS: 1 @ \$1.1900, 1 @ \$1.2000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: NONE; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$1.1750, 2 @ \$1.1700; OFFERS UNCOVERED: NONE

THURSDAY, MAY 18, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.1900; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: NONE; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$1.1775, 1 @ \$1.1750, 1 @ \$1.1700; OFFERS UNCOVERED: NONE

FRIDAY, MAY 19, 2006

CHEESE — SALES: 2 CARS BARRELS @ \$1.1900; BIDS UNFILLED: NONE; OFFER UNCOVERED: NONE

BUTTER — SALES: NONE; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.1700, 1 @ \$1.1650; OFFERS UNCOVERED: NONE

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.8900 and Grade A at \$0.8875. (The last price change for Extra Grade was January 24 and Grade A, February 1.) The weekly average for Extra Grade is \$0.8900 (N.C.) and Grade A is \$0.8875 (N.C.).

BUTTER MARKETS**NORTHEAST**

The butter market remains weak, despite a slight increase in the CME cash market price last week. On Monday, 5/15, the CME price did lose three-quarters of the one cent gain seen late last week. Production levels remain heavy, paralleling cream supplies. This week's heavy rainfall in the Northeast - primarily New England - has caused some localized flooding, which had an impact on deliveries and forced some stores to close. Bulk butter demand remains slow. Retail and food service sales are generally steady. Some improvement in orders from restaurateurs along the Eastern Shore is evident as they prepare for Memorial Day weekend and the summer season. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

Through midweek, the cash butter price at the CME continues to trade within a narrow margin around \$1.1750. Butter producers and handlers have mixed opinions on where butter prices will be during the next six weeks or so. Some feel that the price will edge lower as milk and cream offerings will be heavy, while others acknowledge the abundance of milk and cream but feel that prices will remain within current levels. Cream offerings continue to be readily available to most butter producers. In some instances, butter producers are not taking full advantage of all the cream volumes that are available to them. Current production continues to surpass demand thus inventories are building. In many instances, butter producers are producing more bulk for future use versus prints for immediate needs. Butter demand is seasonally fair. Fairly attractive retail pricing is keeping

butter sales at retail moving at a steady pace with minimal, if any, feature activity necessary. Food service orders are also fair, although food service orders for establishments in resort and vacation areas, preparing for the upcoming Memorial Day holiday weekend and the unofficial opening of the summer vacation season, are heavier. Bulk butter for spot sale is being reported in the flat - 2 cents per pound over various pricing basis.

WEST

Cash butter prices at the CME continue to trade in a very narrow range. Some contacts wonder if the current strength noted in the cheese markets will mean some sympathetic support in the butter market. Churning activity remains very heavy as cream supplies are readily available. More churns are making bulk butter for storage at this time instead of prints. Butter demand is fair at best as there is not much new information to stimulate additional buying interest. Quota imports of butter for the first four months of the year total 3.8 million pounds, only 58% of the total imported last year at this time. This amount is 25% of the annual quota of 15.4 million pounds. New Zealand was by far the number one source of the quota butter, accounting for 56% of the four month total. Imports of High-Tier (above quota and with a penalty) butter for the same period total 375,000 pounds, up 62% from a year earlier. Weekly CME warehouse stocks grew by 4.5 million pounds last week to stand at 143.8 million pounds, compared to 97.4 million in 2005 and 93.5 million pounds in 2004. Prices for bulk butter range from 3 cents under to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
WEEK ENDING					
MAY 13	1.1521	1.1377	0.8282	1.1704	0.2768
	9,386,628	9,545,897	21,887,665	2,244,299	12,423,197

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Price are mostly higher and the market tone is relatively firm. Process items reflect the larger (2 cents) price increases as the price of barrels at the CME have seen rather significant gains in the past week. Seasonal demand for process cheese plus more national, fast food campaigns have helped tighten supplies of process cheese. Natural cheese demand is fair to good, with best interest on Mozzarella. Cheese production in the Northeast remains heavy. Retail sales are generally fair and food service orders are starting to improve. The heavy rains in parts of the Northeast - primarily New England - have caused some localized flooding, which has had some impact on deliveries and shopping habits.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2450-1.7650
Cheddar Single Daisies	:	1.2025-1.6875
Cheddar 40# Block	:	1.3025-1.5750
Process 5# Loaf	:	1.3600-1.6025
Process 5# Sliced	:	1.3800-1.6075
Muenster	:	1.3175-1.5200
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market has shown somewhat surprising price increases recently on the Chicago Mercantile Exchange, but remains within its recent trading range. Tight barrel supplies (not packaged in steel) have limited spot offerings, making price increases easier, pulling block prices along. Some processors and packagers are seeing a surge in late orders for the upcoming holiday and June promotions. Overall activity remains spotty, good one week and sluggish the next. Mozzarella offerings continue to loosen slowly as pizza sales start to sag seasonally. Interest remains solid for non-cheddar natural American and typically fair at best on cheddar. Some operations are seeing some fill-in orders for aging programs. Cheese production remains seasonally active as milk supplies increase into plants. Cheese yields are lower, reflecting the increase in grazing and often poorer quality "bottom of the haymow" feed. Though a good portion of current production may enter storage, plant operators see milk prices are in better alignment with finished product returns than during the first quarter of 2006.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4200-1.5950
Brick And/Or Muenster 5#	:	1.6200-1.7075
Cheddar 40# Block	:	1.4900-2.2650
Monterey Jack 10#	:	1.6200-2.2650
Blue 5#	:	2.0125-2.3000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.3375-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.3050-2.8300

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE			
		:	
05/15/06	45,527	:	138,495
05/01/06	41,651	:	134,768
CHANGE	3,876	:	3,727
% CHANGE	9	:	3

WEST

Cash cheese prices at the CME started to strengthen early last week, especially on barrels. These price changes inverted the market with barrel prices above blocks. Barrel prices increased 5 1/2 cents last week and blocks were up a penny. This week the market righted itself again with blocks climbing above barrels to stand at \$1.20 at midweek. Block prices have not been this high since mid-February. The process cheese side of the market has been on the tight side for a number of weeks so that this price movement did not surprise most contacts. Under grade cheese is clearing to processors very quickly as they attempt to keep supply lines to their operations full. Demand for top quality block cheese is also rated as very good with any spot offerings clearing very easily. Production and demand for mozzarella are closely balanced. Demand for Swiss cheese is good for this time of year. Total quota imports of cheese for the first four months of the year have reached 79.9 million pounds, which is 82% of the level for the same period last year. This amount is 27% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) for the same period are 10.5 million pounds, 43% ahead of the same time last year. This amount is surprising some in the industry since U.S. prices have been on the low side of average compared to the last few years. Swiss quota imports for the same period total 17.1 million pounds, down from last year and at 23% of the annual quota.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.3025-1.5600
Cheddar 40# Block	:	1.2800-1.6325
Cheddar 10# Cuts	:	1.4600-1.6800
Monterey Jack 10#	:	1.4700-1.6300
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.7000

FOREIGN

Prices are mostly steady, but some adjustments higher and lower were noted. The market tone is seasonal. Supplies are fully adequate to meet current demand. Some improved orders are showing up from outlets along the Eastern Shore as restaurants prepare for the upcoming summer season. Recent reports indicate that imports of cheese, subject to licensing, during the first four months of 2006 totaled 36.23 million Kg., 17.6% less than the same period last year. During the same four months, imports of high-tier cheese totaled 4.78 million Kg., 42.5% more than the same period last year.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

NEW YORK			
VARIETY	:	IMPORTED	: DOMESTIC
Roquefort	:	TFEWR	: -0-
Blue	:	2.6400-4.3500*	: 1.5575-3.0475*
Gorgonzola	:	3.6900-5.9400	: 2.0675-2.4900*
Parmesan (Italy)	:	TFEWR	: 2.9725-3.0775*
Romano (Italy)	:	2.1000-3.1900	: -0-
Provolone (Italy)	:	3.4400-6.0900	: 1.5575-1.7950*
Romano (Cows Milk)	:	-0-	: 2.7550-4.8975*
Sardo Romano (Argentina)	:	2.8500-3.2900	: -0-
Reggianito (Argentina)	:	2.6900-3.2900	: -0-
Jarlsberg-(Brand)	:	3.1200-4.1500	: -0-
Swiss Cuts Switzerland	:	-0-	: 2.4500-2.6500
Swiss Cuts Finnish	:	2.5900-2.8500	: -0-
Swiss Cuts Austrian	:	TFEWR	: -0-
Edam	:		:
2 Pound	:	TFEWR	: -0-
4 Pound	:	TFEWR	: -0-
Gouda, Large	:	TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:		:
10 Ounce	:	27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	90	0	154	0	212
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following, April 2006 uniform prices: Northeast \$12.64, Mideast \$11.75, Appalachian \$13.01, Southeast \$12.94, Florida \$14.36, and Western New York (a state order) \$12.08 at the base city or county in the orders. Milk production is nearing the peak in the Northeast, but this week's heavy rainfalls in New England have had a slight effect on the milk flow. Reportedly, the localized flooding has disrupted some transportation schedules, but relatively few farms were directly impacted by the flooding. Farther south, the milk flow is holding at the peak in the Mid-Atlantic area and mid-South areas, while declining in Florida and the Deep South. Fluid milk supplies remain heavy, but weekend volumes are not quite as heavy as they have been. Fewer loads are being sent out of Florida, which reflects the state's lower milk production and steady Class I demand. Some Southeastern schools are closing this week, which will slow bottling schedules and push more milk into manufacturing plants. The condensed skim market is little changed from past weeks. Most sales are contractual, but a few spot sales were noted this week and prices are unchanged. The fluid cream market is steady. There has been little change in demand and supply during the past few weeks. This week's weather has slowed demand for many Class II items, but forecasts of warmer weather early next week did cause a few soft serve mix producers to add to their cream and condensed skim orders. Spot cream prices are mostly steady. Suppliers were a little disappointed that last week's improved demand did not carry over into this week. With cream volumes holding relatively steady, a few loads did have to clear to Midwestern butter makers. Locally, churning activity is heavy. Production of hard ice cream is mostly steady, but disappointing when compared to previous years. Cream cheese output is about steady, but a few producers have taken extra loads this week.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.3988-1.5046
DELIVERED EQUIVALENT: ATLANTA	-	1.3988-1.5164 M 1.4576-1.5046
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.4341-1.5046

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:	
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8900-.9800
NORTHEAST - CLASS III - SPOT PRICES	- .8800-.9400

M I D W E S T

Class I interest continues to trend lower seasonally as more schools close for the summer. Production of holiday items such as dips, sour, and whipped cream were stronger in preparation for the Memorial Day holiday. Cottage cheese output is average. Manufacturing plant capacity is being pushed to the limit with plant operators either needing to sell some milk to another plant or trying to just squeeze by. Milk supplies remain burdensome and spare capacity has disappeared at most, if not all plants. Reporting spot manufacturing milk prices is increasingly difficult due to limited spot transactions as offerings far exceed demand. Sharper discounts are being offered for spot fluid over the upcoming holiday weekend. Cream supplies are tighter, due to increased production of holiday items and ice cream as well as a reduced supply of standardized cream from bottlers and lower fat tests on incoming milk supplies. Specials on ice cream and/or novelties, are reducing inventories for some producers and keeping manufacturers busy replenishing stocks. Current milk intakes are at least near the annual peak in the upper tier of states though operators will wait a few weeks for the final determination. More milk buyers in the upper Midwest have or are announcing or implementing programs to increase hauling rates and/or reduce various premiums paid due to plant profitability concerns. Producers looking to shift milk buyers are finding that virtually no one is interested in adding more milk at the current time. Initial estimated April milk production in selected Midwestern states compared with April 2005 with all states above a year ago are: Wisconsin, 1.961 billion pounds, +61 million pounds (3.2%); Minnesota, 709 million pounds, +8 million pounds (1.1%); Michigan, 588 million pounds, +19 million pounds (3.3%); Texas, 635 million pounds, +67 million pounds (11.8%); Iowa, 353 million pounds, +12 million pounds (3.5%); and Indiana, 281 million pounds, +2 million pounds (0.7%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAY 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 53.00	\$ 57.50- 63.00
REPLACEMENT HEIFER CALVES	\$400.00-650.00	\$530.00-670.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MAY 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 45.00- 54.00	\$ 56.00- 69.00

W E S T

April Milk Production for the 23 States totals 14.2 billion pounds up 3.7% from last year. This is the smallest year-on-year increase since March of last year. Cow numbers continue to grow (up 13,000 head from last month), but production per cow slowed to only a 2.2% increase from last year. That is the smallest year-on-year increase since January of 2004. Output for selected Western states compared to last year is as follows: Arizona +9.2%, California +3.8%, Idaho +7.8%, New Mexico +13.7%, Oregon -5.1%, and Washington -2.3%. Hay stocks on May 1 for the U.S. total 21.3 million tons, down 23% from last year and 18% below 2004. Hay stocks for selected states compared to last year are as follows: Arizona 40,000 tons +5,000, California 180,000 tons -35,000 tons, Colorado 460,000 tons -10,000 tons, Idaho 375,000 tons -160,000 tons, Nevada 209,000 tons +129,000, New Mexico 131,000 tons -31,000 tons, Oregon 210,000 tons -152,000 tons, Utah 262,000 tons -38,000 tons, and Washington 250,000 tons -72,000 tons. Of these nine states, two were higher than a year ago but seven were lower. Conditions are warm and dry over the entire WESTERN REGION. Low temperatures early in the week were 11-18 degrees above the normal lows and high temperatures were 12-25 degrees above the normal high. Many daily high temperature records were set across the region. These conditions are maturing the early hay growth much faster than normal. Growers hope that quality will not suffer too much because of the early heat. Milk production across most of southern and central CALIFORNIA has been steady to occasionally lower. The impact of recent hotter weather, the lack of new crop - dairy quality hay, and the current decline in fresh cows hitting the milking string, have all combined to level off what may be the peak of the production cycle this year. The hot weather has been above normal and fans and misters are being utilized to keep cows comfortable. Temperatures are rather comfortable during the nighttime. The new crop hay is testing lower than expectations and the quality is not where dairy cows need. Earlier wet condition delayed harvesting and caused quality of any cut hay to deteriorate. Shipping of hay from other states is expensive. Extended hot temperatures last summer caused breeding inefficiencies and the influx of fresh cows is currently limited. There will be fewer fresh cows for now, but there will be more than normal in the next 30 to 60 days. Plants are running at or near capacity levels in the state. Surplus milk is being handled, but sometimes requiring shipping and delays. Fluid milk orders are becoming more sporadic as schools recess. Retail orders are not matching school declines. ARIZONA milk intakes were again higher this week in a surprise move. The weather conditions have heated up with several days of 100 degree temperatures recorded. Heat abatement measures are in operation and nighttime conditions are still favorable for cow comfort. Plants are running additional milk from local and regional offerings. Some of the surplus has declined seasonally and because of increased plant capacity in the region. NEW MEXICO milk productions continue to outpace last year as more cows are milked and production per cow builds. Conditions are relatively favorable for milk production. Plants are running on extended schedules to handle the milk supply. First cutting alfalfa is testing very well. Prices are up to fifteen dollars per ton higher than last year. Demand from dairies is good. CREAM markets have stabilized in the short term. Offerings of cream are steady and entering established channels. More cream is moving to ice cream producers on contract. The butter market at the CME closed on Wednesday, May 17, at \$1.1750, unchanged from a week ago. Surplus cream in the West continues to move to butter producers in the region and into the Midwest. Freight rates are increasing and causing more concern. Multiples range from 98 to 118, FOB, and vary depending on class usage and basing points. The milk flow in the PACIFIC NORTHWEST continues to move higher slowly. Some producers thought they had reached a peak, but they have since pushed past that level. Feed supplies are being stretched until new crop forage becomes available. Outside milk continues to be available to processing plants in any volume and time frame that they would desire. Plants are estimating that they will be completely full over the upcoming Memorial Day weekend. Milk output is heavy in UTAH and IDAHO as weather conditions are close to ideal. Field work is progressing rapidly. Some early cutting hay is taking place and none too soon for many producers. Fat and protein tests on milk receipts are edging lower. Some milk is moving around the region to find available plant capacity. Operations are anticipating that they will be full over the upcoming holiday weekend.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are generally unchanged to lower on a steady to weak market. Although production is not excessive in the Central region, some producers are reducing their prices in an attempt to remain competitive with imported supplies from the West coast. Drying schedules are anticipated to increase as schools recess for the summer and milk is diverted away from Class I and into Class IV. Most movement is contractual with inquiries predominantly noted by brokers and distributors for both high heat and low heat NDM supplies.

EAST: Despite an increase in the lower end of the range, prices are mostly steady to lower this week. Last week's NASS average NDM price (the basis for most NDM sales) decreased about \$0.0075. The lower end of the price range increased as there have been no offers of Eastern and Central NDM to CCC in the last two weeks (through 5/17). Production levels remain heavy. Most Eastern drying plants are operating 6-7 days a week. Northeastern plant contacts comment that milk receipts may be near the peak, but incoming volumes are heavy. Producer stocks are growing. Some shipments against previously made export deals are helping some operations keep inventories from growing too quickly. Spot buyers have little or no difficulty finding powder.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8200 - .8875 MOSTLY: .8200 - .8400
 HIGHHEAT: .8750 - .9200

NONFAT DRY MILK - WEST

Prices for low/medium heat nonfat dry milk in the West moved slightly lower on both the range and mostly series. The impact of support purchase sales is twofold - the transaction prices are accounted for in reported sales and buyers are seeking pricing levels around the support price. The effect is that prices then gravitate towards the 80 cent mark. Sales to the government support program continue to be used to balance stock levels. The trade is working to establish new export contracts and there is more talk about some countries opening up. Domestic demand is fair for contract sales, slow for spot needs. Stocks are ample and available from most plants in the region. During the week of May 8 - 12, 6.0 million pounds of NDM were offered by Western producers to the CCC support program. From January to March 2006, FAS reports exports of NDM/SMP totaled 59,837 MT (131.9 million pounds), compared to 98,221 MT (216.5 million pounds) in the same period in 2005, a decline of 39.1%. During March 2006, exports totaled 51.3 million pounds. High heat prices are lower. Trading activity remains light and is in line with expectations. Scheduling production time remains a challenge at many locations. Total milk entering powder plants remains heavy seasonally.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7950 - .8400 MOSTLY: .8000 - .8150
 HIGHHEAT: .8300 - .8725

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
May 12	\$.8178	9,000,146	3,609,080
May 5	\$.8295	9,679,719	2,279,216

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged to lower on a steady to weak market. Increasing aged supplies of buttermilk at some locations are encouraging a few producers to offer at prices that are competitive with the Western market. At other locations, producers are maintaining their higher prices so as not to veer far from NDM prices and in light of location and reported quality differences. Production is steady to somewhat lower as ice cream producers pick up extra loads of condensed buttermilk. Demand for dry buttermilk is lackluster.

F.O.B. CENTRAL: .6500 - .7900

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mostly steady and the market tone remains weak. Northeastern prices are nominal. Churning activity in the East is moderate to heavy and the supplies of buttermilk to be dried are heavy. Some improved demand for liquid buttermilk is helping ease the need to dry, but powder stocks are accumulating at most producing plants. Demand is slow to fair as buyers purchase for immediate needs and wait for better (lower) prices.

F.O.B. NORTHEAST: .6700 - .7000
 DELVDSOUTHEAST: .7000 - .7400

DRY BUTTERMILK - WEST

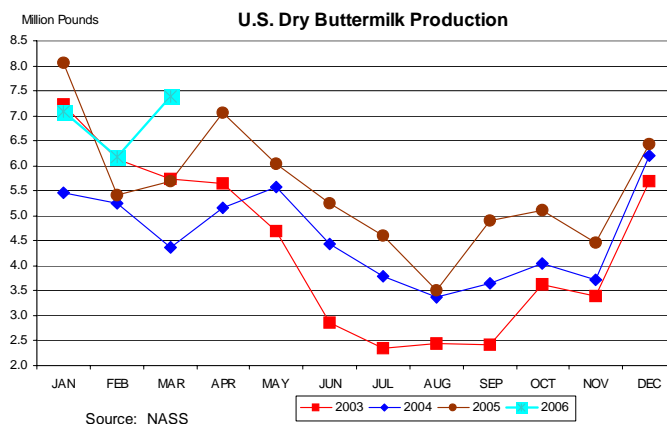
The dry buttermilk market in the West is mainly steady. Trading activity is light to moderate with sales centering on contracted volumes. Spot activity is limited with offerings of blocks of powder common. Buyers are not actively looking to make purchases at this time, despite the discounts on the block offers. Sellers continue to look for export opportunities to move some of their stocks. The sense is that production will remain active to process solids from heavy butter making.

F.O.B. WEST: .6300 - .6800 MOSTLY: .6400 - .6500

DRY WHOLE MILK - NATIONAL

Prices are steady and nominal. The market tone is mostly steady, but the recent CWT export bid acceptance is helping add to market activity. However, there are also reports of imported dry whole milk being offered for sale. Production is light and plant stocks are closely balanced. The CWT industry-operated export program, accepted two more bids to export whole milk powder; 160 MT (352,736 pounds) of whole milk powder to Guatemala and 20 MT (44,092 pounds) to El Salvador.

F.O.B. PRODUCING PLANT: 1.1475 - 1.2000



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged to higher on a steady market. Supplies appear to be in better balance and producer offerings are being reported at steady to higher prices. However, demand is light, especially in the domestic market. Buyers are skeptical of the sudden change in the market and also in no dire need of additional supplies at the present time. Some producers are reportedly returning to energy surcharges to the dismay of buyers. Supplies of feed grade whey are limited for the good interest. Production of whey is trending steady to higher in response to increased milk flow into cheese vats at some locations. Offerings of condensed whey are heavy for the light to fair interest.

F.O.B. CENTRAL: .2675 - .2875 MOSTLY: .2700 - .2750
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2400 - .2600

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly steady to lower in the Northeast; steady in the Southeast. The Northeast prices are nominal. Production levels are moderate to heavy and producer stocks are growing at some locations. Contracts are clearing quite a bit of the current output. Resellers also comment that their inventories are growing as demand is slow to fair, at best. The market tone is weak and spot market activity is limited. Demand is slow to fair. However, as prices settle in the "mid-twenties," producers are commenting that they are getting more inquiries.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2725 - .3025
DELVD SOUTHEAST: .2900 - .3200

DRY WHEY - WEST

Prices are mixed for Western whey powder. The tone is steadier than it has been for several weeks. Both export and domestic buying activity is good. Producer stocks range from in balance to tight for the majority of outlets. Production continues to be on the heavy side of estimates, but not at burdensome levels. Contacts wonder what the market will look like once the spring flush is past in a few weeks. World stocks of whey continue to be on the tight side. For the first quarter of the year exports of whey total 106.0 million pounds according to FAS, down 2.4% from last year. This level of exports equates to 38% of the total dry whey production reported by NASS for the same period. The top five export destination volumes and the change from the first quarter of 2005 are as follows: China 28.7 million pounds, down 12.2%; Japan 14.2 million pounds, down 6.7%; Canada 12.2 million pounds, up 3.6%; Korea 10.7 million pounds, up 2.4%; and Thailand 8.1 million pounds, down 2.9%. These five destinations account for 73.9 million pounds or 70% of the total.

NONHYGROSCOPIC: .2750 - .3200 MOSTLY: .2900 - .3100

EVAPORATED MILK - NATIONAL

Prices and the market tone are steady. Production levels remain quite heavy as producers take advantage of all the milk that is available across the country. The market remains highly competitive. Producer stocks are light, but being replenished, which is typical for this time of year. On May 11, the Kansas City Commodity office announced the Evaporated Milk Products Solicitation EVD2-011, inviting competitive offers to sell to CCC 587,520 pounds of evaporated milk for delivery July - September 2006. Offers are due by 9:00 a.m. CDT, May 23, 2006.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$21.20 - 36.00

Excluding promotional and other sales allowances. Included new price announcements.

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are generally lower on a weak market. Some plants are offering at a discount whereas others are offering at a premium to the market. Production is generally strong on WPC with offerings of 80% readily available in the trade as well. Canadian supplies of WPC 34% are readily available to the US market at competitive prices. Demand is fair with the best interest noted into export markets. During first quarter 2006, WPC 34% and 80% exports respectively increased 13.67% and 58.68% compared to first quarter 2005. Export quantities and percentage changes for the dominant 34% WPC markets include: Mexico 8,439,557 lbs (+9.57%), Canada 2,830,377 lbs (+60.75%), and Republic of Korea 2,168,956 lbs (+441.61% or about 43% of the total quantity shipped during 2005). Export quantities and percentage changes for the dominant 80% WPC markets include: Canada 1,488,802 lbs (+15.89%), Mexico 1,363,835 lbs (+66.48%), China 837,520 lbs (+134.57%), and Thailand 665,388 lbs (+2919.00% or about 51% more than the total quantity shipped during 2005).

F.O.B. EXTRA GRADE 34% PROTEIN: .5725 - .6300 MOSTLY: .5900 - .6000

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Some contracts have apparently been traded for the latter half of the year above the 30 cent mark. Buyer anxiety may be perpetuating market trends. Some users are reportedly propositioning plants to invest in additional lactose facilities to guarantee adequate future supplies. Others are content with their current contracts and suspect supplies will balance out by year end. Spot users without a good rapport with a supplier are paying the higher side of the range. Feed grade lactose is limited for the good interest and trading within the mostly range. During the first quarter of 2006, lactose exports increased 70.66% compared to the first quarter of 2005. Export quantities and percentage changes for the dominant markets include: Mexico 34,255,670 lbs (+619.93% or about 46% more than the total quantity shipped during 2005), Japan 12,029,652 lbs (-21.71%), Vietnam 4,948,862 lbs (+61.94% or 37% of the total quantity shipped during 2005), and Thailand 4,528,338 lbs (+323.72% or 51% of the total quantity shipped during 2005). First quarter 2006 exports exceeding 2,000,000 lbs are also noted into Brazil, China, Malaysia, and the Philippines.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2400 - .3200 MOSTLY: .2500 - .3000

CASEIN - NATIONAL

Casein markets and prices are holding generally steady. As has been the case in previous weeks, domestic buyers continue to report that lower priced offerings are in the market place. Many buyers remain hesitant to take advantage of the offerings as source and quality are a concern. For the most part, domestic buyers are getting their needs filled from regular suppliers. Suppliers state that stocks are basically adequate for current needs and feel that inventoried stock and projected production should be sufficient for buyer needs, although acid volumes are less available than rennet.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.0000 - 3.1000
ACID: 3.0500 - 3.1500

EVAPORATED MILK - NATIONAL -see adjacent column

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF MAY 15 - 19, 2006			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 05/12/06	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	198,000	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	198,000	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	5,690,351	218,168	5,472,183	38,721,108	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	5,690,351	218,168	5,472,183	38,721,108	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MAY 15 - 19, 2006 =	1.2	63.7	OMPARABLE PERIOD IN 2005 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	10.3	452.7	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JANUARY 1 - MAY 19, 2006 =	10.3	452.7	COMPARABLE CALENDAR YEAR 2005 =	0.0	0.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF MAY 15 - 19, 2006 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	5,472,183	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	198,000	-0-	1,364,259	1,331,567	20.6	4.2
WEST	-0-	-0-	-0-	-0-	34,952,373	29,415,099	74.3	92.4
EAST	-0-	-0-	-0-	-0-	2,404,476	1,070,603	5.1	3.4
TOTAL	-0-	-0-	198,000	-0-	38,721,108	31,817,269	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 04/29/06 & Comparable Week 2005

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2006-Dairy	N.A.	0.6	6.0	2.6	15.6	2.7	0.3	N.A.	13.3	1.6	43.7	785.4	41.6	46.1
2005-Dairy	N.A.	0.6	6.1	2.2	13.1	2.1	0.8	N.A.	11.3	2.2	39.3	816.0	45.6	49.0
2006-All cows	N.A.	0.6	7.4	12.6	29.4	19.1	14.5	N.A.	15.8	2.2	105.1	1,704.0		
2005-All cows	N.A.	0.6	7.5	10.2	24.9	12.5	10.6	N.A.	12.7	4.5	86.1	1,665.7		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.38	13.38	12.49	11.22	10.97	10.75						
II	13.25	12.62	11.69	11.37								
III	13.39	12.20	11.11	10.93								
IV	12.20	11.10	10.68	10.36								

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm

MAY MILK SUPPLY AND DEMAND ESTIMATES*

Note: This report presents USDA's first calendar-year 2007 projections of U.S. dairy products. Projections reflect economic analysis, normal weather, trends, and judgment.

Milk production is forecast to increase gradually in 2007 as weaker milk prices and higher feed costs lead to a reduction in dairy cow inventory. Milk per cow is expected to continue increasing but at a slower rate than in 2006. Domestic disappearance of fat and skim solids is expected to remain relatively robust, helping draw down commercial stocks and boosting butter and cheese prices. Although it is expected that commercial exports will help absorb much of the expected supplies of nonfat dry milk (NDM), 2007 prices are likely to be slightly weaker than in 2006 with increased sales to the CCC. Class III prices are forecast about \$1.00 per cwt. higher than 2006, but Class IV prices may only average about 25 cents per cwt. higher. The all milk price is forecast at \$12.85 to \$13.85 per cwt. in 2007.

Forecast milk production in 2006 is lowered as projected growth in milk per cow is slightly slower than last month. However, both fat and skim-solids basis commercial use in the first quarter may be weaker than previously forecast. In the face of weaker demand, product price forecasts are reduced and CCC net removals of NDM are increased slightly. With lower forecast cheese and whey prices, the Class III price forecast is reduced. Likewise, lower forecast butter and NDM prices result in a lower Class IV price. The all milk price forecast for 2006 is lowered to \$12.35 to \$12.85 per cwt.

U.S. MILK SUPPLY AND USE					
Commodity	2005	2006 Projected		2007 Projected	
		April	May	April	May
MILK		BILLION POUNDS			
PRODUCTION	177.0	182.2	182.0	NA	183.1
FARM USE	1.1	1.1	1.1	NA	1.0
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	7.2	8.0	8.0	NA	8.2
MARKETINGS	175.9	181.1	180.9	NA	182.1
IMPORTS	4.6	4.6	4.5	NA	5.1
TOTAL COMMERCIAL SUPPLY	187.7	193.7	193.4	NA	195.4
FAT BASIS USE					
ENDING COMMERCIAL STOCKS	8.0	8.2	8.2	NA	7.9
CCC NET REMOVALS <u>1/</u>	-0.0	0.0	0.0	NA	0.0
COMMERCIAL USE <u>2/</u>	179.7	185.5	185.2	NA	187.5
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	8.2	8.9	9.0	NA	9.0
MARKETINGS	175.9	181.1	180.9	NA	182.1
IMPORTS	4.5	4.8	4.8	NA	5.7
TOTAL COMMERCIAL SUPPLY	188.6	194.9	194.7	NA	196.8
SKIM-SOLIDS BASIS USE					
ENDING COMMERCIAL STOCKS	9.0	9.0	9.0	NA	8.8
CCC NET REMOVALS <u>1/</u>	-1.0	1.2	1.3	NA	2.3
COMMERCIAL USE <u>2/</u>	180.7	184.7	184.4	NA	185.7
		MILLION POUNDS			
CCC PRODUCT NET REMOVALS <u>1/</u>					
BUTTER	0	0	0	NA	0
CHEESE	-2	0	0	NA	0
NONFAT DRY MILK	-81	100	110	NA	195
DRY WHOLE MILK	0	0	0	NA	0

NOTE: Totals may not add due to rounding. 1/ Includes products exported under the Dairy Export Incentive Program. 2/ Includes commercial exports.

Continued on page 9

MAY MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES					
Commodity	2005	2006 Projected		2007 Projected	
		April	May	April	May
PRODUCT PRICES <u>1/</u> CHEESE	DOLLARS PER POUND				
	1.4875	1.225-1.275	1.205-1.255	NA	1.295-1.395
	1.5405	1.195-1.275	1.150-1.230	NA	1.215-1.345
	0.9409	0.845-0.885	0.845-0.885	NA	0.815-0.885
NONFAT DRY MILK	0.2782	0.280-0.310	0.275-0.305	NA	0.240-0.270
MILK PRICES <u>2/</u> CLASS III	DOLLARS PER CWT				
	14.05	11.45-11.95	11.25-11.75	NA	11.95-12.95
	12.87	10.65-11.25	10.45-11.05	NA	10.45-11.55
	15.14	12.55-13.05	12.35-12.85	NA	12.85-13.85
CLASS IV	QUARTERLY				
ALL MILK <u>3/</u>	2006 I	2006 II <u>4/</u>	2006 III <u>4/</u>	2006 IV <u>4/</u>	2007 I <u>4/</u>
MILK PRODUCTION	BILLION POUNDS				
	45.5	46.9	44.8	44.7	46.3
	DOLLARS PER CWT.				
	13.53	11.70-12.00	11.85-12.45	12.35-13.25	12.30-13.30
ALL MILK PRICE <u>2/</u> <u>3/</u>	12.23	10.65-10.95	11.05-11.65	11.10-12.00	11.15-12.15
CLASS III PRICE <u>2/</u>	11.33	10.20-10.60	10.25-10.95	10.10-11.10	10.15-11.25
CLASS IV PRICE <u>2/</u>					

1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found at http://www.ams.usda.gov/dyfmom/mib/fedordprc_dscrp.htm. 2/ Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. 3/ Does not reflect any deductions from producers as authorized by legislation. 4/ Projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; Howard McDowell, AMS; Paul Kiendl, FAS; George Wallace, ERS; and Milton Madison, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-434, World Agricultural Outlook Board, USDA, May 12, 2006.

APRIL MILK PRODUCTION

Milk production in the 23 major States during April totaled 14.2 billion pounds, up 3.7 percent from April 2005. March revised production, at 14.6 billion pounds, was up 5.6 percent from March 2005. The March revision represented an increase of 25 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,727 pounds for April, 37 pounds above April 2005.

The number of cows on farms in the 23 major States was 8.24 million head, 124,000 head more than April 2005, and 13,000 head more than March 2006.

APRIL 2006 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2005	2006	2005	2006	2005	2006	% CHANGE FROM 2005
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	164	172	2,060	2,145	338	369	9.2
CA	1,747	1,788	1,825	1,850	3,188	3,308	3.8
CO	103	108	1,865	1,900	192	205	6.8
FL	138	133	1,570	1,590	217	211	-2.8
ID	443	478	1,850	1,850	820	884	7.8
IL	105	103	1,605	1,650	169	170	0.6
IN	157	164	1,780	1,715	279	281	0.7
IA	192	200	1,775	1,765	341	353	3.5
KS	111	112	1,755	1,810	195	203	4.1
KY	107	99	1,150	1,280	123	127	3.3
MI	311	317	1,830	1,855	569	588	3.3
MN	455	450	1,540	1,575	701	709	1.1
MO	119	116	1,430	1,500	170	174	2.4
NM	323	349	1,780	1,875	575	654	13.7
NY	646	649	1,565	1,590	1,011	1,032	2.1
OH	269	273	1,520	1,530	409	418	2.2
OR	121	121	1,610	1,530	195	185	-5.1
PA	563	557	1,600	1,650	901	919	2.0
TX	319	328	1,780	1,935	568	635	11.8
VT	144	143	1,570	1,560	226	223	-1.3
VA	105	103	1,485	1,535	156	158	1.3
WA	241	237	1,965	1,955	474	463	-2.3
WI	1,234	1,241	1,540	1,580	1,900	1,961	3.2
23 STATE TOTAL	8,117	8,241	1,690	1,727	13,717	14,230	3.7

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (5-06), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, APRIL

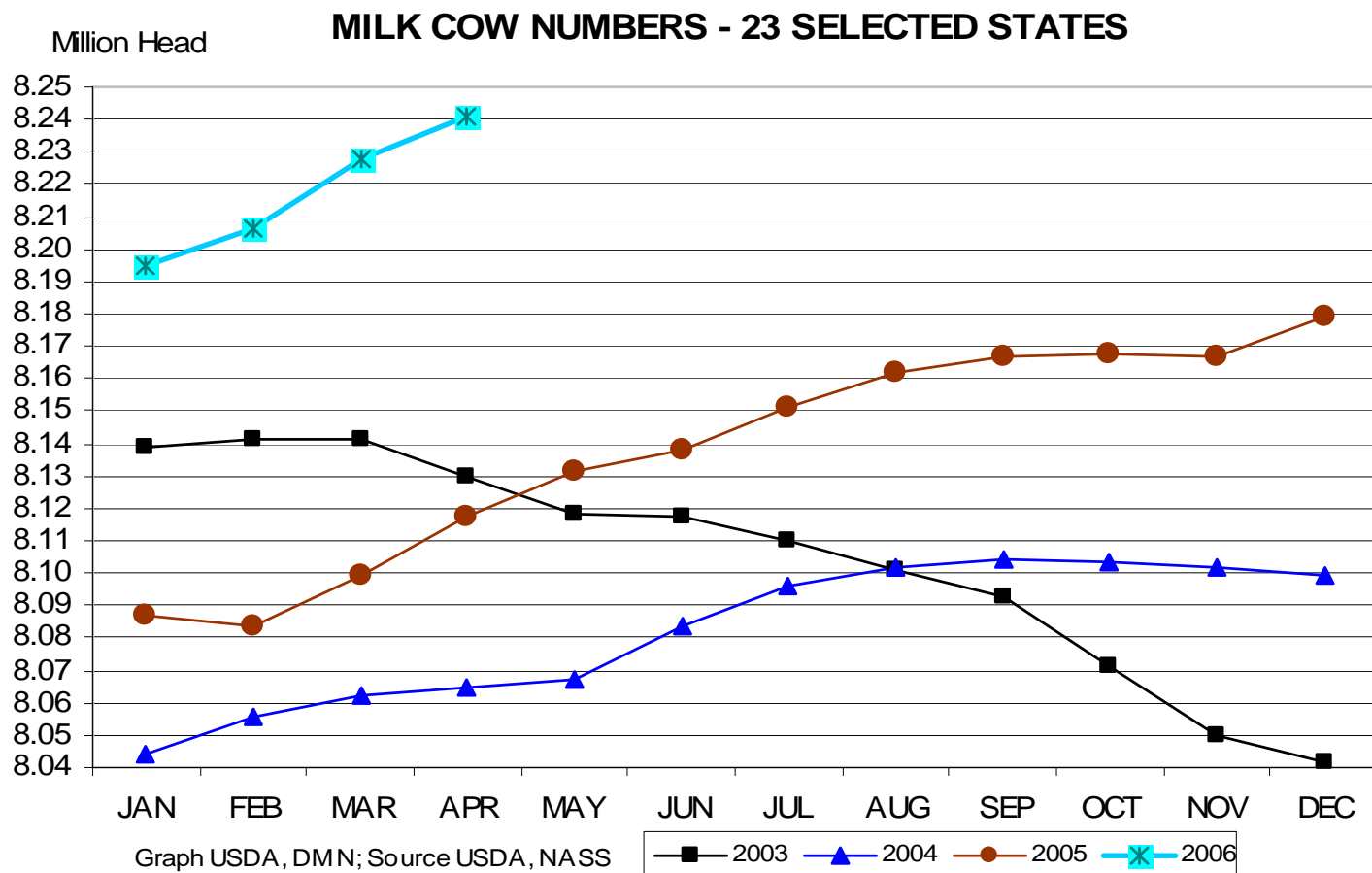
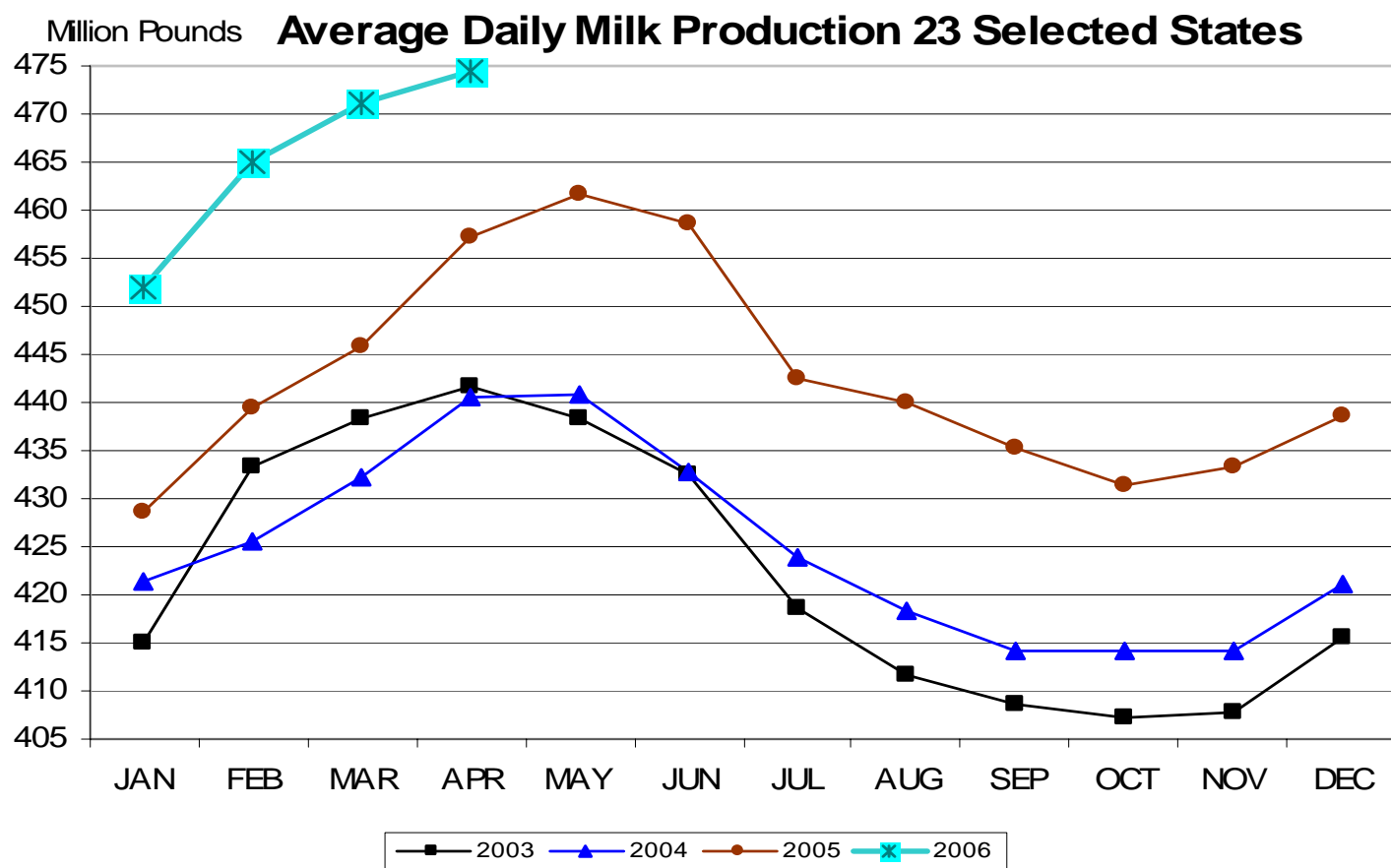
HIGHLIGHTS - Handler reports of receipts and utilization under the Federal milk order system for April have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During April about 10.6 billion pounds of milk were received from producers. This volume of milk is 33.3 percent higher than the April 2005 volume. In April 2005, there was a significant volume of milk not pooled due to intraorder disadvantageous price relationships. About 3.6 billion pounds of producer milk were used in Class I products, 3.6 percent lower than the previous year. The timing of the Easter season, as well as calendar composition, likely had a negative impact on milk used in Class I in 2006 as compared to 2005. The all-market average Class utilizations were; Class I = 34%, Class II = 11%, Class III = 41%, and Class IV = 14%. The weighted average statistical uniform price was \$12.04 per cwt., \$0.63 lower than last month and \$3.16 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF APRIL 2006										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	2,003.2	-0.3	830.5	-3.5	41	19	22	18	12.64
Appalachian (Charlotte)	005	574.5	-1.3	323.2	-10.0	56	19	7	18	13.01
Southeast (Atlanta)	007	744.5	7.6	377.3	-3.5	51	11	26	12	12.94
Florida (Tampa)	006	278.9	-1.7	220.6	-1.5	79	7	7	7	14.36
Mideast (Cleveland)	033	1,513.4	3.0	517.1	-3.4	34	15	41	10	11.75
Upper Midwest (Chicago)	030 <u>3/</u>	2,188.4	217.4	352.9	-4.1	16	4	77	3	11.29
Central (Kansas City)	032 <u>3/</u>	1,331.7	73.3	345.0	-4.5	26	9	52	13	11.49
Southwest (Dallas)	126	943.7	32.0	335.5	-4.3	36	12	32	20	12.41
Arizona-Las Vegas (Phoenix)	131	302.1	12.4	97.5	18.5	32	8	33	27	11.66
Pacific Northwest (Seattle)	124	687.6	51.8	177.7	0.5	26	6	31	37	11.35
ALL MARKET AVERAGE OR TOTAL	<u>3/</u>	10,567.9	33.3	3,577.2	-3.6	34	11	41	14	12.04

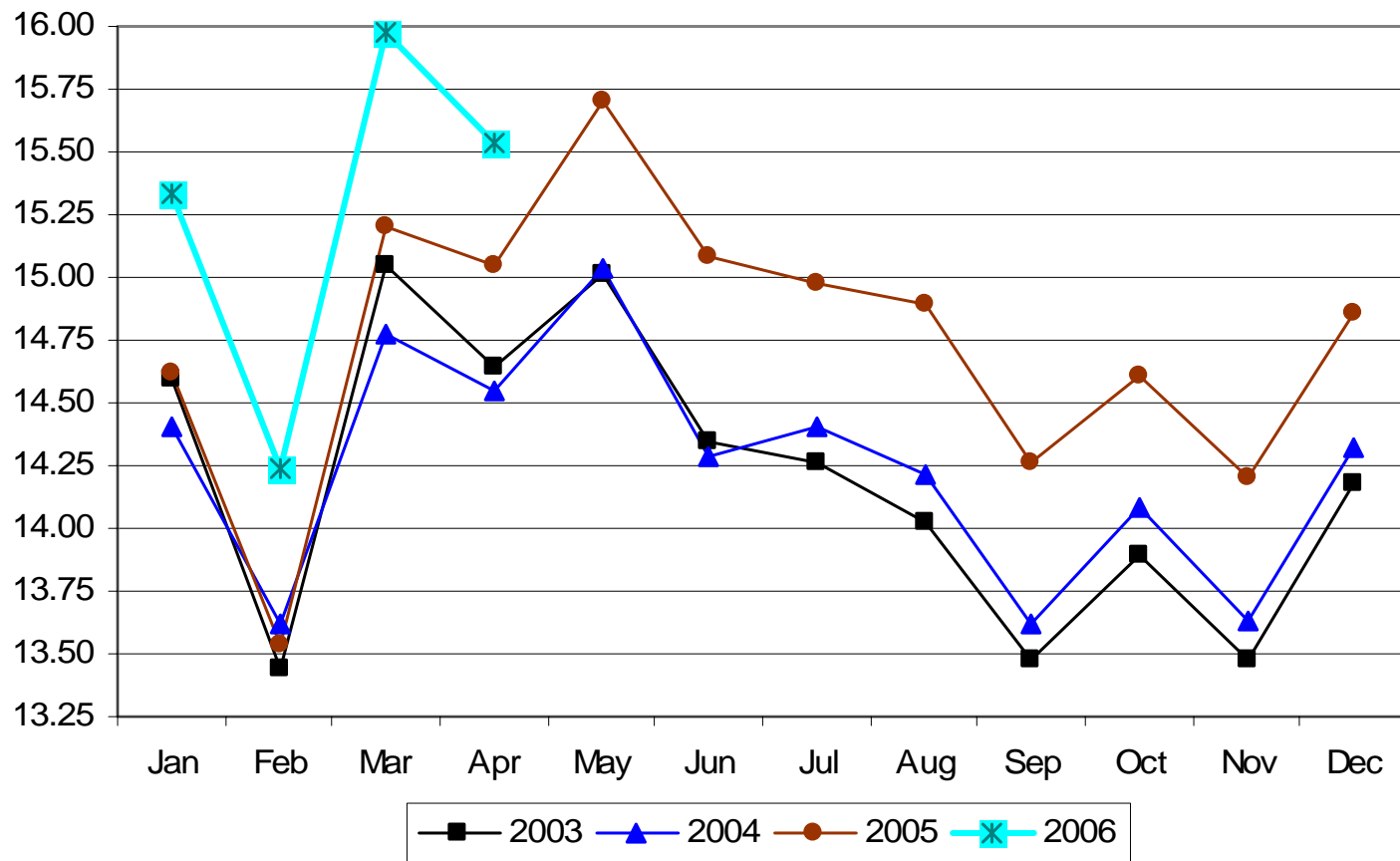
1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

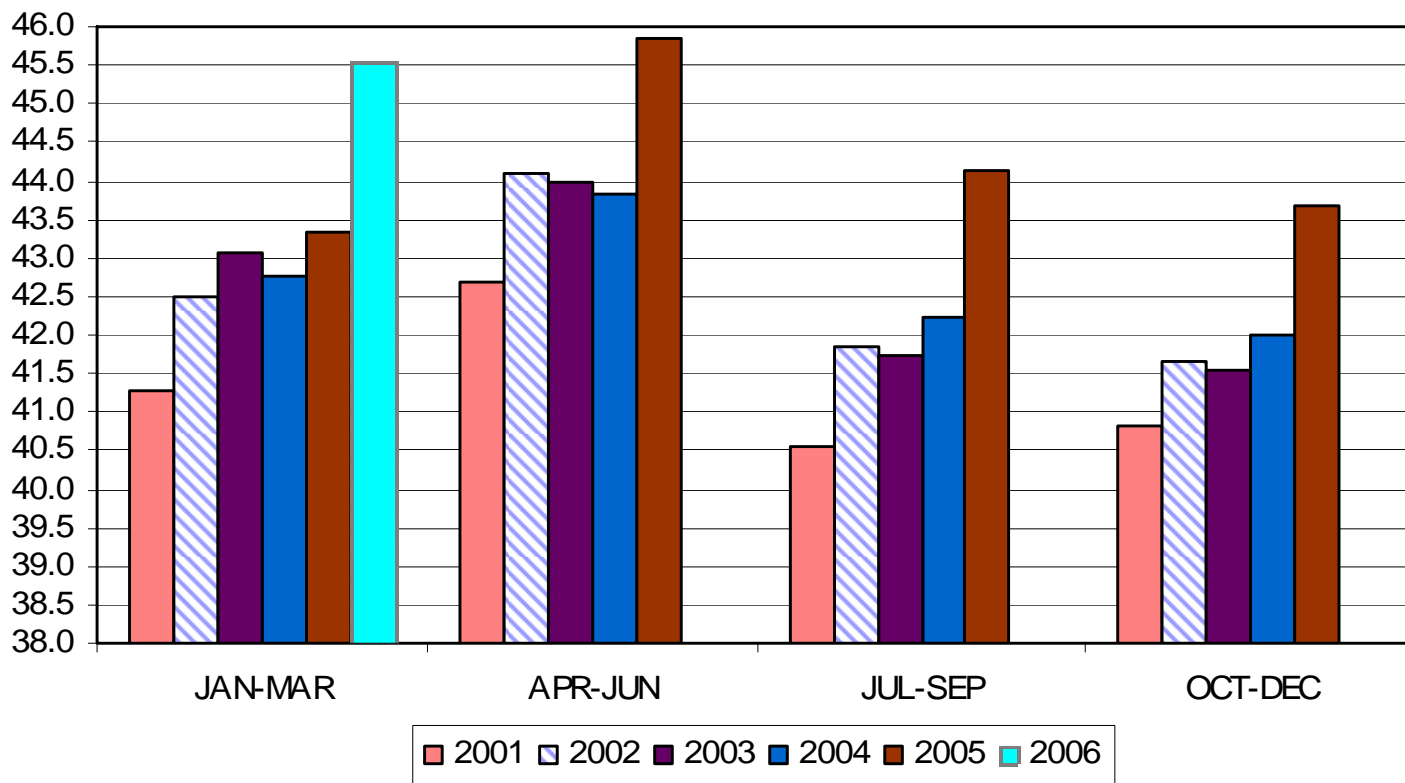
3/ Due to a disadvantage relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in this market, handlers elected not to pool an estimated 85 million pounds of milk, that normally would have been associated with this market. In April 2005, the estimated not pooled volume of milk was 2.6 billion pounds, occurring in Order Nos. 033, 030, 032, 126, and 124. After adjusting for these not-pooled volumes, the year to year percent change is +1.1%.



Billion Pounds

Estimated U.S. Milk Production

BILLION POUNDS

QUARTERLY ESTIMATED US MILK PRODUCTION

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